

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

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R 081739Z SEP 76
FM SECSTATE WASHDC
TO AMEMBASSY OTTAWA
INFO AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY LISBON
AMEMBASSY ROME
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY STOCKHOLM
AMEMBASSY BERN
AMEMBASSY OSLO
AMEMBASSY COPENHAGEN

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E.O. 11652: N/A

TAGS: EAIR, CA, US, XT

SUBJECT: CIVAIR - IATA NORTH ATLANTIC FARE NEGOTIATIONS

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1. WHILE RECENT IATA MEETING IN MIAMI, ACCORDING U.S.

AIRLINES, EXHIBITED CONSIDERABLE AGREEMENT THAT CURRENT NORTH ATLANTIC FARE STRUCTURE REQUIRES MAJOR REVISION, NO PROGRESS WAS MADE IN DETERMINING WHAT THAT REVISION MIGHT BE. MOREOVER, IN TRYING TO REACH AGREEMENT ON FARE PACKAGE ALONG PRESENT LINES FOR PERIOD BEGINNING NOVEMBER 1, MEETING ENCOUNTERED SO FAR UNSURMOUNTABLE OBSTACLE IN CANADIAN SUPER-APEX FARE, (PRESENTLY VALID ONLY BETWEEN CANADA AND U.K.). ALTHOUGH FURTHER DISCUSSIONS PLANNED, RESULT MAY WELL BE OPEN RATE FOR WINTER SEASON.

2. AIR CANADA, CITING LARGE PERCENTAGE OF CANADIAN TRAFFIC TRAVELING ON ABCS, INSISTS ON MAINTAINING SUPER-APEX AS CHARTER-COMPETITIVE FARE. IT REFUSES ANY INCREASE IN DOLLAR AMOUNT, REPORTEDLY ON BASIS CHARTERERS HAVE ANNOUNCED NO INCREASES. MOREOVER AF, CITING DIVERSION OF PASSENGERS VIA LONDON, NOW WANTS SUPER-APEX FOR PARIS, AND CP AIR FOR AMSTERDAM AND ROME. BA, LUFTHANSA, SWISS AIR AND ALITALIA ALSO REPORTED FAVORING SUPER-APEX.

3. U.S. AIRLINES FEAR THIS WOULD SOON MEAN A 20 TO 70 DOLLAR REDUCTION IN EXISTING APEX FARES ACROSS EUROPE, LEADING TO SIGNIFICANT DIVERSION FROM THE U.S. UNLESS SUPER-APEX IS ALSO AVAILABLE FROM U.S. OR, PERHAPS, IF NATIONALITY AND RESIDENCY RESTRICTIONS WERE PLACED ON USE OF THE FARE FROM CANADA.

4. ACTION REQUESTED: WOULD APPRECIATE ANY LIGHT EMBASSY CAN THROW ON CANADIAN GOVERNMENT ATTITUDES IN THIS MATTER. ANSWERS TO FOLLOWING QUESTIONS WOULD BE PARTICULARLY HELPFUL:

A. DOES CANADIAN GOVERNMENT BELIEVE THAT SUPER-APEX IS A COMPENSATORY FARE, I.E., COVERS COSTS, DESPITE INHERENT COST ADVANTAGES OF FULL PLANELOAD, I.E., CHARTER, TRAFFIC?

B. IS THE CANADIAN GOVERNMENT ASSISTING AIR CANADA, BY SUBSIDY, LOAN OR GUARANTEE, TO FINANCE ITS DEFICIT? LIMITED OFFICIAL USE

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C. WHAT IS THE PURPOSE OF THE SUPER-APEX? IT LOOKS LIKE AN ATTEMPT TO DRAW TRAFFIC FROM CHARTERS, RATHER THAN SIMPLY TO PROTECT THE SCHEDULED AIRLINES' EXISTING TRAFFIC, AND INDEED WE UNDERSTAND THAT CHARTER TRAFFIC HAS DROPPED SINCE SUPER-APEX INSTITUTED.

D. IS IT REASONABLE TO EXPECT CHARTERERS TO MOVE FIRST

TO INCREASE FARES? WOULDN'T IT BE MORE REASONABLE TO
INCREASE EXISTING SUPER-APEX FARES MODERATELY, RELYING
ON COST PRESSURES TO FORCE THE CHARTERERS TO FOLLOW?

5. INCIDENTALLY, RUMORS THAT AIR CANADA USING BILATERAL
FAVORS TO WIN SUPPORT FOR SUPER-APEX CONCEPT CONTINUE
STRONG. AIR FRANCE ABOUTFACE (AS DESCRIBED BY PAN AM)
IS CASE IN POINT. KISSINGER

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